

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-277-E - ORDER NO. 2012-780

OCTOBER 25, 2012

IN RE: Petition of South Carolina Electric & Gas)	ACCOUNTING ORDER
Company for an Accounting Order to Defer)	
Incremental Operation and Maintenance)	
Expenses That Will Be Incurred as a Result)	
of Complying with Certain Requirements)	
Promulgated by the United States Nuclear)	
Regulatory Commission)	

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Petition of South Carolina Electric & Gas Company (“SCE&G” or “the Company”) for an accounting order for regulatory purposes authorizing SCE&G to defer as a regulatory asset up to \$3,000,000 in incremental operation and maintenance expenses that SCE&G will incur when it complies with existing and future requirements promulgated by the United States Nuclear Regulatory Commission (“NRC”) in response to the earthquake and tsunamis experienced at Tokyo Electric Power Company’s Fukushima Daiichi Nuclear Power Station in Japan in March 2011 and the resulting loss of cooling to nuclear fuel and the subsequent radioactive release.

The request for relief will not involve a change to any of SCE&G’s retail rates or prices at this time, nor require any change in any Commission rules, regulations, or policies. The issuance of the requested accounting order will not prejudice the right of any party to address these issues in a subsequent general rate case proceeding. Therefore,

no notice or hearing is required in this matter. See S.C. Code Ann. Section 58-27-870(F) (Supp. 2011).

Following the events at the Fukushima Daiichi Nuclear Power Station, the NRC established a senior-level agency task force referred to as the Near-Term Task Force ("NTTF"). The NTTF was tasked with conducting a systematic and methodical review of NRC regulations and processes governing the United States' nuclear generating fleet and determining whether the agency should make safety improvements in light of the events in Japan.

As a result of its review, the NTTF developed a comprehensive set of recommendations, documented in SECY-11-0093, "Near Term Report and Recommendations for Agency Actions Following the Events in Japan," dated July 12, 2011. These recommendations were enhanced by the NRC staff following interactions with stakeholders. The NRC staff's enhancement efforts are contained in SECY-11-0124, "Recommended Actions to be Taken Without Delay From the Near-Term Task Force Report," dated September 9, 2011, and SECY-11-0137, "Prioritization of Recommended Actions to be Taken in Response to Fukushima Lessons Learned," dated October 3, 2011. SECY-11-0124 and SECY-11-0137 established the NRC staff's prioritization of the recommendations.

On December 15, 2011, by way of a staff requirements memorandum, the NRC approved the NRC staffs prioritization of the NTTF recommendations and directed the NRC staff to consider the various regulatory vehicles available to implement the recommendations.

The NRC has concluded that a sequence of events such as those experienced at the Fukushima Daiichi Nuclear Power Station is not likely to occur in the United States. Nonetheless, the NRC's assessment of new insights from the events at the Fukushima Daiichi Nuclear Power Station prompted the NRC to impose additional requirements on nuclear power reactor licensees, including SCE&G, to increase the capability of nuclear power plants to mitigate beyond design-basis external events.

On March 12, 2012, the NRC issued the first regulatory requirements for the nation's operating reactors based on the lessons learned at the Fukushima Daiichi Nuclear Power Station. More specifically, the NRC issued three orders, effective immediately, identified as EA-12-049 (Order to Modify Licenses with Regard to Requirements for Mitigation Strategies for Beyond-Design-Basis External Events); EA-12-050 (Order to Modify Licenses with regard to Reliable Hardened Containment Vents); and EA-12-051 (Order Modifying Licenses with Regard to Reliable Spent Fuel Pool Instrumentation). All of these orders require safety enhancements to operating reactors, but only two of these orders, namely, EA-12-049 and EA-12-51, are applicable to Unit 1 at the V.C. Summer Nuclear Station.

These orders require SCE&G, as well as other nuclear power plant operators, to implement safety enhancements related to (i) mitigation strategies to respond to extreme natural events resulting in the loss of power at plants and (ii) enhancing spent fuel pool instrumentation. SCE&G, along with the other nuclear power reactor licensees, are required to promptly begin implementation of the safety enhancements and complete

implementation within two refueling outages or by December 31, 2016, whichever comes first.

In anticipation of complying with the NRC's mandate, SCE&G expects to incur incremental operation and maintenance expenses for Unit 1 at its V.C. Summer Nuclear Station totaling approximately \$3 million during the next five (5) years beginning in 2012 – with additional incremental operation and maintenance expenses likely to be incurred as the NRC continues to review, evaluate, and promulgate new requirements in response to the events that occurred at the Fukushima Daiichi Nuclear Power Station. For now, SCE&G must (i) conduct a seismic probabilistic risk assessment and hazards analysis, (ii) conduct walkdowns and re-evaluation of hazards, (iii) develop support guidelines for Diverse and Flexible Mitigation Capability ("FLEX") and integrated emergency procedures; (iv) develop and implement required training, and (v) implement plant modifications for piping and electric connections in support of FLEX. As stated above, these activities will increase SCE&G's operation and maintenance expenses at Unit 1.

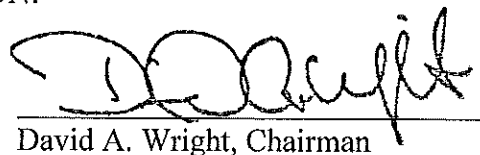
Based upon the foregoing, SCE&G seeks authorization from the Commission to defer as a regulatory asset the incremental operation and maintenance expenses that SCE&G will incur as a result of complying with existing and future requirements promulgated by the NRC in response to the earthquake and tsunamis experienced at the Fukushima Daiichi Nuclear Power Station in March 2011. The Company plans to seek recovery of these deferred expenses in a future general rate application.

The South Carolina Office of Regulatory Staff does not object to the Company's petition, provided that the Company be required to provide quarterly updated reports of the deferral of any associated incremental operation and maintenance expenses.

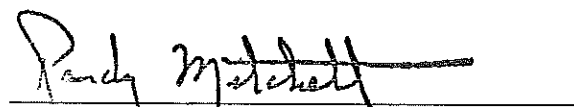
The Commission has fully reviewed the Company's petition and the response by the Office of Regulatory Staff. Having determined that the petition is consistent with the public interest, the Commission issues this order authorizing SCE&G to defer as a regulatory asset up to \$3,000,000 in incremental operation and maintenance expenses that SCE&G will incur as a result of complying with existing and future requirements promulgated by the NRC in response to the earthquake and tsunamis experienced at the Fukushima Daiichi Nuclear Power Station in March 2011. The Company shall provide to the Commission and to ORS quarterly updated reports of the deferral of any associated incremental operation and maintenance expenses.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:


David A. Wright, Chairman

ATTEST:


Randy Mitchell, Vice Chairman
(SEAL)